MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016 SESSION

BCS 4614 – GOODS AND SERVICE TAX

(All Sections / Groups)

2nd. June 2016
9.00 am. – 12.00 pm.
(3 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 7 pages (excluding cover page) with 5 Questions only.
2. Answer **ALL** Questions. All question carry equal marks. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided

QUESTION 1

(a) The term "business" is assigned a wide meaning in the GST Act. A person cannot be registered unless he is carrying on a business. List four (4) criteria used to determine whether an activity qualifies as a business (business test) for GST purposes.

(4 marks)

(b) A person is required to register for GST if his taxable turnover is more than RM 500,000. Explain the two (2) methods to determine taxable turnover.

(4 marks)

(c) In measuring the taxable turnover, certain components of supply are **excluded**. List four (4) such components to be excluded in measuring taxable turnover.

(4 marks)

(d) For each of the following situations, explain if the person is required to register for GST or not:

i. Janice inherited RM 10,000,000 upon the death of her father. She decided to invest in properties and bought a number of shop lots both in KL and Seremban solely for the purpose of earning rental income. To secure tenants for her shop lots, she engages a property agent and advertised in all local new-papers and also on the Internet. She estimates that her total rental will exceed RM 600,000 when all the shops are rented out by June 2016.

ii. Ahmad runs a car workshop where the historical annual turnover comprises RM 400,000 for labor charges and RM 200,000 for spare parts sold.

iii. Muthu is a proprietor of supermarket in Petaling Jaya and fast food restaurant in Klang. The average monthly turnover is RM 30,000 and RM 25,000 respectively.

iv. Mica Transport Sdn Bhd operates a business through which it provides both ordinary taxi services and limousine service. The ordinary taxi service has a turnover of RM 200,000 a year and the limousine service turnover is RM 550,000.

(8 marks)

(Total 20 marks)

Continued...

QUESTION 2

(a) Explain what is meant by 'Group Registration' and list any three (3) conditions for a Company to be eligible to be a member of the group.

(5 marks)

(b) List and explain two (2) advantage and disadvantages of forming GST group.

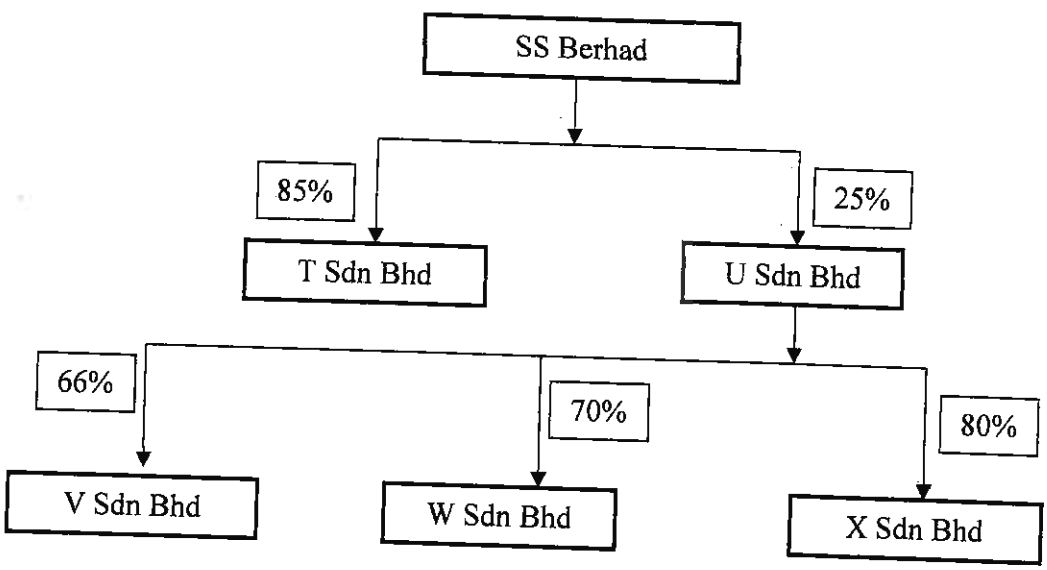
(5 marks)

(c) Review the 4 scenario below. Explain which companies are eligible for group registration and indicate the group combinations for group registration.

Give reasons if anyone is not eligible to join or to form a group.

(10 marks)

Scenario 1



(2 marks)

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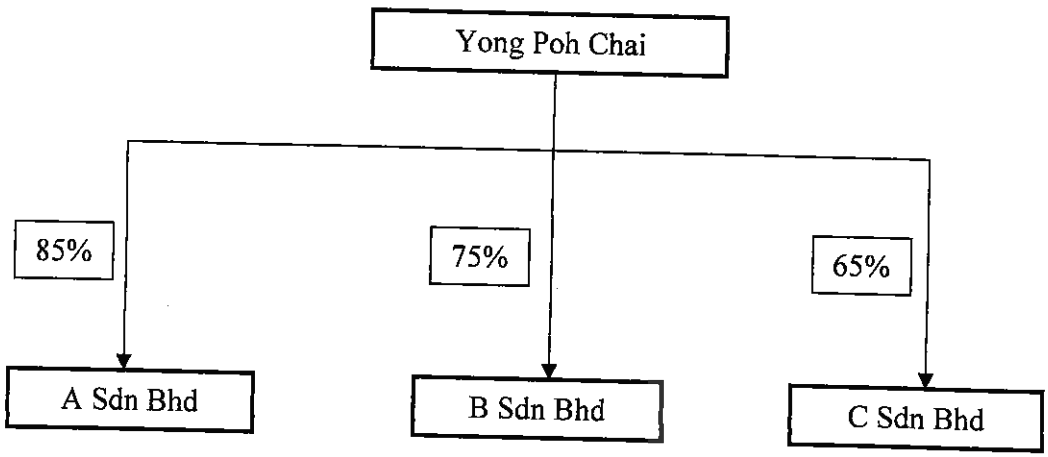
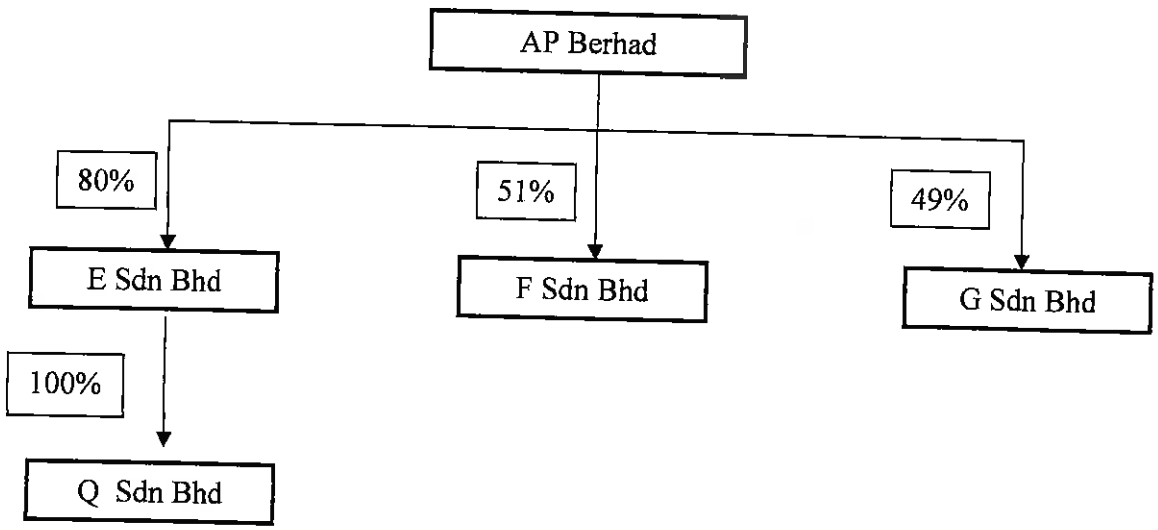
Scenario 2



(2 marks)

Scenario 3

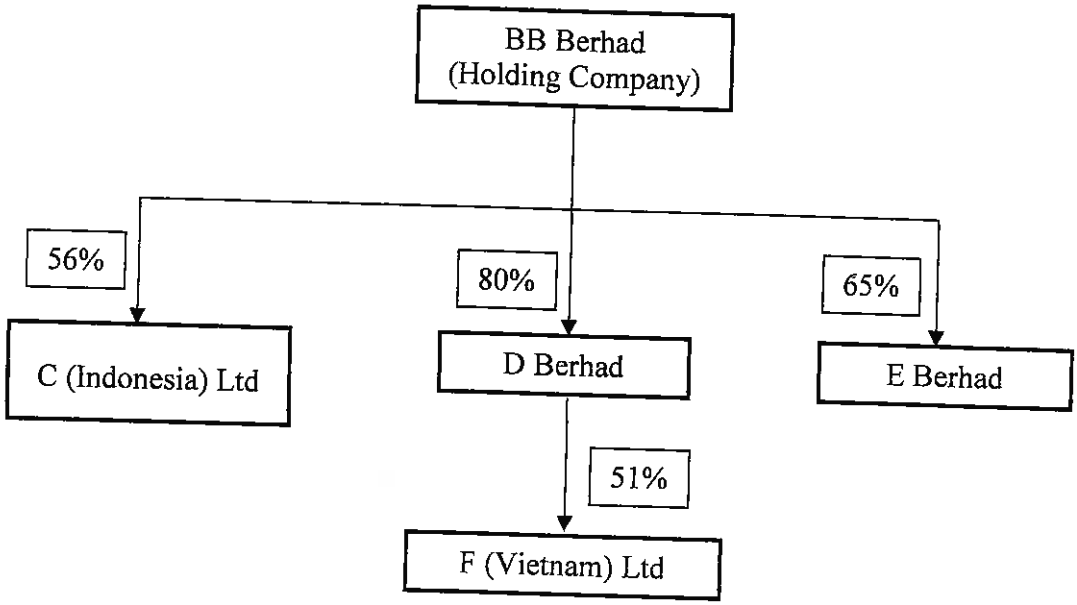


Note : Q Sdn Bhd is involved in making exempt supplies.

(3 marks)

Continued...

Scenario 4



(3 marks)

(Total 20 marks)

QUESTION 3

(a) Define and explain what is "Supply" as per Section 4 of the GST Act 2014.

(3 marks)

(b) Explain the "reverse charge mechanism" for the supply of imported services.

(3 marks)

(c) Imported service is subjected to GST if all five (5) elements (or rules) is applicable. List three (3) of these rules.

(3 marks)

Continued...

(d) Tan Sri Kassim Ahmad, a successful businessman in Johor, pays RM 250,000 to a Singaporean interior designer who does not have any fixed establishment in Malaysia for the design services rendered to Tan Sri Kassim Ahmad's family residence in Johor.

i. Advice Tan Sri Kassim Ahmad on the GST implications if any.

(3 marks)

(e) Global Talent Sdn Bhd (GST registered) is the organizer of "The Voice" of Malaysia singing competition. It's makes arrangement with a famous American singer (not living in Malaysia) to be the chief judge in the finale of the singing competition. The American singer will be paid RM 650,000 for her services.

i. Advice Global Talent Sdn Bhd on the GST implications.

ii. Will the implication be the same if Global Talent Sdn Bhd is not GST registered? Explain.

(8 marks)

(Total 20 marks)

QUESTION 4

a. A person is entitled to claim input tax credit if he is making taxable supplies and satisfies certain criteria. List three (3) such criteria.

(3 marks)

b. Under what circumstances is a person **not** entitled to claim input tax? List three (3) such circumstances.

(3 marks)

c. Calculate the amount of input tax claimable for the following:

(i) Maxim Sdn Bhd, a merchandiser, acquired goods for RM 265,000 (inclusive of GST) from a GST registered supplier. The supplier imposed RM 1,590 (inclusive of GST) as charges for the delivery of the goods. The goods were acquired in June 2015, the payment to supplier is made on August 2015 and the products are sold to customers in December 2015.

Assuming Maxim Sdn Bhd has a monthly taxable period, determine:

1. Amount of input tax credit that can be claimed.
2. Indicate which taxable period ABC Sdn Bhd can claim the input tax credit.

(3 marks)

Continued...

(ii) Tan, an employee is dismissed from his employment. He then goes into business carrying on an enterprise as a sole trader (GST registered). Tan then decided to bring unfair dismissal proceedings against his former employer. He engages a lawyer to take up his case. The total legal fee including GST amounted to RM 3,180.

1. Can Tan claim the input tax ? Explain

(3marks)

d. Indicate and explain if the input tax credit is 'blocked' in the following cases:

(i) Reckon Sdn Bhd acquired a Toyota Camry for it's director's use. The cost of the vehicle was RM 150,000 and the GST incurred was RM 9,000. Six month later the car was sent for repairs and the repair was not covered in the warranty. The cost of repair was RM 4,000 and the GST incurred was RM 240.00.

(2 marks)

(ii) Ranhill Engineering Sdn Bhd acquired a motor vehicle for it's employees to provide technical assistance in case of break down and to provide engineering services to it's customers. The cost of the motor vehicle was RM 108,000 and the GST incurred was RM 6,480.

(2 marks)

(iii) Ahmad an employee of Juara Construction Sdn Bhd was injured during work at the construction site. Juara Construction Sdn Bhd paid the medical bill amounting to RM 55,000. As Ahmad lost his legs during the incident, Juara Construction acquired a wheel chair costing RM1,590 (inclusive of GST).

(2 marks)

(iv) Bala,the marketing manager of Alpha Communication Sdn Bhd met potential customers at a seafood restaurant for lunch in order to promote the company's new product. The cost of the lunch was RM 1,500.

(2 marks)

(Total 20 marks)

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QUESTION 5

(a) Describe and explain what is "Capital Goods Adjustment (CGA)"

(2 marks)

(b) Capital Goods Adjustment is not required to be made for certain category of acquisition. List two (2) acquisitions that are not subject to Capital Goods Adjustments.

(2 marks)

(c) Refer to the table below:

Period	Taxable Supply (RM)	Exempt Supply (RM)	Input Tax			Other Information	
			Attributable To Taxable Supplies (RM)	Attributable To Exempt Supplies (RM)	Residual Input tax (RM)	Value of (taxable) capital goods disposed off (RM)	Value of imported Services (RM)
Q1	700,000	200,000	18,000	6,000	8,500	25,000	
Q2	800,000	200,000	14,000	10,000	8,500	170,000	
Q3	1,500,000	90,000	21,000	25,000	78,000		35,000
Q4	1,100,000	150,000	11,000	8,000	7,000	70,000	65,000
Total	**4,100,000**	**640,000**	**64,000**	**49,000**	**102,000**	**265,000**	**100,000**

(i) Calculate the residual input recovery rate (%) for each period (quarter).

(4 marks)

(ii) Calculate the input tax credit in respect of the residual input tax for each period (quarter).

(4 marks)

(iii) Calculate the **total** input tax credit for each period (quarter) and for the **year.**

(4 marks)

(iv) Compute the longer period (annual) adjustment that needs to be made and explain how the difference (over or underpaid) is treated.

(4 marks)

(Total 20 marks)

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